

**Testimony of Lorry S.C. Brown  
On Behalf of the Michigan Advocacy Project (MAP) and  
the State Bar Consumer Law Council**

**Senate Committee on Banking and Financial Institutions  
Senate Bills 380, 381, 382 and 383**

Chairman Booher and members of the Senate Committee on Banking and Financial Institutions, thank you for the opportunity to testify regarding Senate Bills 380, 381, 382 and 383. I am Lorry Brown, the statewide foreclosure prevention specialist at Michigan Poverty Law Program.<sup>1</sup> Michigan Poverty Law Program is the statewide back-up center for legal services programs. I am here today on behalf of the Michigan Advocacy Project<sup>2</sup> and the State Bar Consumer Law Council.

The significant issue presented by these bills is the reduction of the redemption period from six months to 60 days. On behalf of the Michigan Advocacy Project and the State Bar Consumer Law Council, we oppose any reduction of the redemption period.

By reducing the redemption period, the intent is clearly to get homeowners out of their homes sooner. These bills head in the opposite direction of what is taking place nationally. At a time when the CFPB is establishing rules aimed at keeping homeowners in their homes to avoid foreclosure, Michigan is shortening the redemption period to prevent homeowners from keeping their homes. The reduction of the redemption period makes the problem worse, not better.

**Purpose of the Redemption Period**

One of the purposes of the redemption period is to give homeowners a realistic period of time within which to seek alternative financing to pay the sale price and keep the home. The homeowner may also sell the property during the redemption period. With the benefit of a longer period to sell the home, the homeowner is much more likely to payoff the lender and potentially recovers any equity lost at the sale. The lenders argue that given the economic crisis, no one is able to get financing to redeem, homes are underwater so homeowners are not able to sell and there is no equity to recover. However, this all assumes that the economic crisis will be

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<sup>1</sup> As the statewide foreclosure specialist, I manage the Michigan Foreclosure Prevention Project, a project of the Michigan Poverty Law Program. The Michigan Foreclosure Prevention Project is a collaborative statewide project involving all the major legal services programs. The goal of the Project is to provide comprehensive and coordinated foreclosure prevention advocacy throughout the state by 1) providing direct legal representation to homeowners facing foreclosure, 2) providing support to housing counseling organizations, 3) coordinating policy advocacy on a statewide basis, and 4) providing training and technical support.

<sup>2</sup> The Michigan Advocacy Project (MAP) is a joint project between the Michigan League for Human Services (MLHS) and the Michigan Poverty Law Program (MPLP). MAP advocates on behalf of the state's low-income population on issues in the areas of low-income housing, family law, consumer protections, and foreclosure prevention.

long term and the market will not turn around. With this proposed reduction of the redemption period, when the market does turn around, homeowners would be at a disadvantage when it comes to their redemption rights.

Second, Michigan is a non-judicial state. One trade-off in allowing the lenders to foreclose without going to court is to allow homeowners time to redeem the property. Additionally and more importantly, the redemption period ensures that homeowners' due process rights are protected before their homes are taken away. In most cases, the first time a homeowner has an opportunity to challenge the impropriety of the foreclosure is during the redemption period. 60 days is clearly not sufficient time to ensure that the foreclosure was conducted properly. Often, the homeowner is not even aware of the actual sheriff's sale until months into the redemption period. If the lenders want a shorter redemption period, to ensure that homeowners' due process rights are protected when their homes are being taken away, then the lenders should be required to foreclose judicially not by advertisement.

### **Shortening the Redemption Period Is the Wrong Policy to Address the Damage to Property**

The lenders argue that the 6-months redemption period prevents them from selling the home. The lenders further argue that during the redemption period, the homes are deteriorating, being destroyed and losing value.

First, no one has done empirical studies of how redemption laws affect home retention or whether redemption laws contribute to deteriorated or destroyed homes. The lenders' arguments about dire effects of redemption laws are not based on empirical studies, just anecdotes. The consumer advocates can similarly provide anecdotal information as to the positive outcome of a favorable redemption period. Any reduction of the redemption period because of these falsely perceived arguments will harm homeowners and will continue to wreak havoc on our neighborhoods.

Second, the shortening of the redemption period is an ineffective policy to address the destruction of property. Currently, under Michigan law, the lenders can shorten the redemption period to 30 days if the home is abandoned. To address the destruction of property, a similar provision could be enacted that would allow the lender to move for immediate possession if there is waste or destruction of the property. For example, in the state of Maryland, a foreclosing lender can seek possession sooner where there is "waste or other circumstances that requires prompt remediation." (See Maryland Rule 14-102 and Comm, Note).